BEFORE THE TENNESSEE STATE BOARD OF EQUALIZATION

In Re:	James and Lauri Waggoner) .	
	Ward 56, Block 3, Parcel 14)	
	Residential Property) Shel	by County
	Tax year 2006)	oy county

INITIAL DECISION AND ORDER

Statement of the Case

On August 22, 2006, The Shelby County Assessor of Property ("Assessor") issued notice of the following prorated assessment of the subject property:

LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	ASSESSMENT
\$191,300	\$297,800	\$489,100	\$122,275

The property owners have filed an appeal with the State Board of Equalization ("State Board").

The undersigned administrative judge conducted a hearing of this matter on December 14, 2006 in Memphis. In attendance at the hearing were the appellant James Waggoner and Shelby County Property Assessor's representative Ronald Palmer.

Findings of Fact and Conclusions of Law

This appeal concerns a single-family residence located at 4724 Cole Road – a part of Memphis where older homes are commonly demolished or renovated. Originally built in 1950, this brick veneer dwelling sits on a 0.6-acre lot. The appellants purchased this property in November, 2002 for \$325,000.

The prorated assessment under appeal resulted from the addition of a family room which increased the total living area of the subject house to approximately 3,460 square feet. This project, for which a building permit in the amount of \$250,000 was obtained, also involved replacement of the carport with a two-car garage and an exterior facelift.

In Mr. Waggoner's opinion, the subject property (as improved) was only worth between \$400,000 and \$430,000. He based this estimate mainly on three recent sales of slightly smaller homes in the vicinity (4539 Laurelwood Drive; 113 South Grove Park Road; and 3780 Walnut Grove Road) at prices ranging from \$390,000 to \$428,000. Mr. Waggoner also lamented that neighboring 4712 Cole Road – a 5,888-square-foot house built in 1997 – was currently appraised at \$116.64 square foot.

¹This notice informed the taxpayers that, according to the Assessor's records, "the modification to your improvements were [sic] completed by 04/10/2006." The prorated appraisal was based on an estimated market value of \$547,200.

Acknowledging the difficulty of this appraisal problem, Mr. Palmer recommended that the valuation of the subject property (as expanded) be reduced from \$547,200 to \$475,600. Among the comparable sales that he cited in support of this figure were 341 Colonial and 4792 Cole Road. Those homes sold for \$154.78 and \$134.41 per square foot, respectively, after having been remodeled to some extent.

Tenn. Code Ann. section 67-5-601(a) provides (in relevant part) that '[t]he value of all property shall be ascertained from the evidence of its sound, intrinsic and immediate value, for purposes of sale between a willing seller and a willing buyer without consideration of speculative values...."

Since the taxpayers seek to change the present valuation of the subject property, they have the burden of proof in this administrative proceeding. State Board Rule 0600-1-.11(1).

As Mr. Waggoner pointed out, many home improvements and/or additions do not yield a dollar-for-dollar return of expenditures in the local real estate market. The reduced appraisal recommended by the Assessor's representative implicitly recognizes this fact; for the proposed increase in the value attributed to the subject improvements would be \$140,600 – less than 60% of the aforementioned building permit amount.

Respectfully, the administrative judge is not persuaded that the evidence of record justifies the even lower value sought by the appellant. It is understood that Mr. Waggoner's house was not completely renovated. There is no indication, though, that any of his comparables had been substantially upgraded before the time of sale. Hence the valuation of the subject property at a somewhat higher rate per square foot would hardly seem anomalous.

Concerning the alleged inequity in the appraisal of 4712 Cole Road, one must bear in mind that "[s]ale price per square foot usually decreases as square feet increase." International Association of Assessing Officers, Property Appraisal and Assessment Administration (1990), p. 162. This principle would likely come into play with respect to a house on the same block that is 70% larger than the subject. In any event, the State Board has generally adhered to a "market value" standard and refused to adjudicate property assessment appeals on a "comparative appraisal" basis. See Carroll v. Alsup et al., 107 Tenn. 257, 64 S.W. 193 (1901).

<u>Order</u>

It is, therefore, ORDERED that the following values be adopted for tax year 2006:

		year 2000.	
LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	ASSESSMENT
\$191,300	\$245,800	\$437,100	\$109,275

Pursuant to the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-301—325, Tenn. Code Ann. § 67-5-1501, and the Rules of Contested Case Procedure of the State Board of Equalization, the parties are advised of the following remedies:

- 1. A party may appeal this decision and order to the Assessment Appeals Commission pursuant to Tenn. Code Ann. § 67-5-1501 and Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization. Tennessee Code Annotated § 67-5-1501(c) provides that an appeal "must be filed within thirty (30) days from the date the initial decision is sent." Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization provides that the appeal be filed with the Executive Secretary of the State Board and that the appeal "identify the allegedly erroneous finding(s) of fact and/or conclusion(s) of law in the initial order"; or
- 2. A party may petition for reconsideration of this decision and order pursuant to Tenn. Code Ann. § 4-5-317 within fifteen (15) days of the entry of the order. The petition for reconsideration must state the specific grounds upon which relief is requested. The filing of a petition for reconsideration is not a prerequisite for seeking administrative or judicial review.

This order does not become final until an official certificate is issued by the Assessment Appeals Commission. Official certificates are normally issued seventy-five (75) days after the entry of the initial decision and order if no party has appealed.

ENTERED this 22nd day of January, 2007.

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ADMINISTRATIVE JUDGE
TENNESSEE DEPARTMENT OF STATE
ADMINISTRATIVE PROCEDURES DIVISION

cc: James Waggoner

Tameaka Stanton-Riley, Appeals Manager, Shelby County Assessor's Office

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